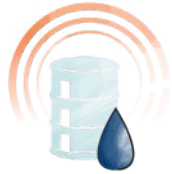


# Market Commentary

March 2024

RISCURA

## South African market themes



SA's oil consumption hit record high, and rand appreciated against the dollar



RMB/BER Business Confidence Index drops due to dissatisfaction with business conditions



Housing market shows moderate growth, yet estate agents remain cautious amid uncertainty



Urgent repairs needed for Eskom's water treatment plants to maintain power supply

In March, South Africa was eagerly anticipating the Monetary Policy meeting by the South African Reserve Bank (SARB). The equity market saw a modest performance improvement, with the worst-performing sectors being alternative energy, chemicals, precious metals, and mining. Despite this, the FTSE JSE All Share and FTSE JSE Capped SWIX indices increased by 3.2% and 2.9%, respectively. In other developments, oil prices experienced a modest gain, and South Africa's consumption reached an all-time high of 20.23 million barrels per day.

During the month, the local currency bonds and property, ALBI (Local Bond Index) and the ALPI (All Property Index), experienced losses of -2% and -0.6%, respectively. However, the rand appreciated by 1.3% against the dollar.

Despite facing challenges such as logistical issues and load shedding, South Africa's economic growth is expected to improve in 2024. The SARB projects GDP growth of 1.2% in 2024 and 1.6% in 2025. The risks are balanced, which is largely positive. However, inflation increased to 5.6% in February from 5.3% in January, driven by core inflation and fuel prices.

The SARB's Monetary Policy Committee (MPC) kept the repo rate unchanged at 8.25%, reflecting concerns over inflationary pressures. The timing and extent of interest rate adjustments are influenced by global interest rate trends and trade fragmentation. Analysts, such as those from Investec and Standard Bank, anticipate the first interest rate cut in September, with reductions of up to 75 basis points.

In addition, President Cyril Ramaphosa reappointed Lesetja Kganyago as Governor of the South Africa Reserve Bank for another five-year term, and Mampho Modise was appointed as Deputy Governor, following the resignation of Kuben Naidoo

last year. This is a positive move for the stability and continuity of the country's monetary policy.

Leadership decisions within the SARB signal continuity and stability for monetary policy. Global supply chain volatility – including geopolitical tensions and shipping delays – requires ongoing analysis and adaptation. However, some positive developments at Transnet, including infrastructure investments and planned reforms, offer investors glimpses of optimism for the future.

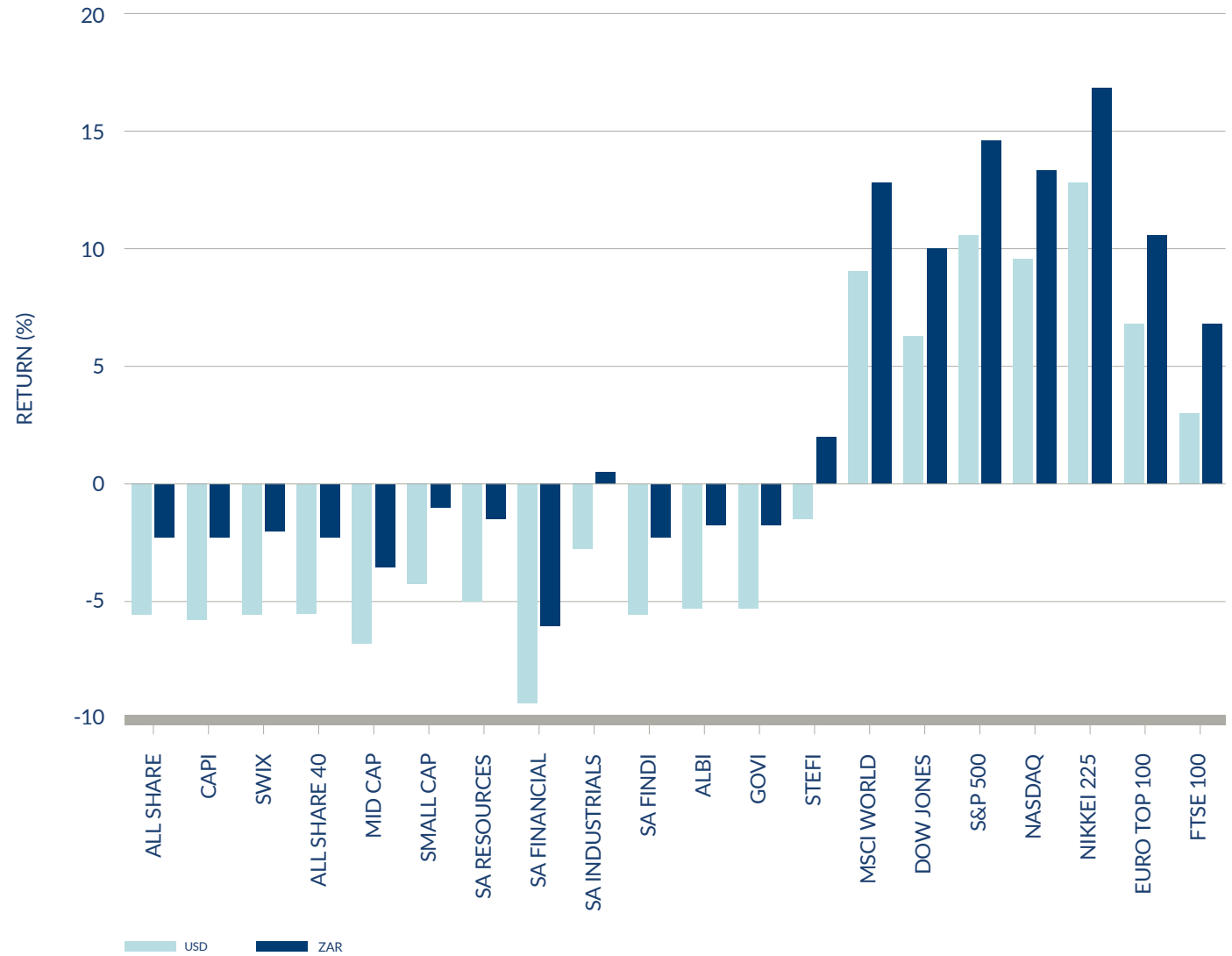
Despite challenges, the RMB/BER Business Confidence Index (BCI) declined to 30 index points in the first quarter of 2024 due to dissatisfaction with business conditions. Weak business activity and investment intentions persist due to structural constraints, crime, and political uncertainty. Moreover, rising prices pose an upside risk to the inflation outlook.

The House Price Index growth averaged 0.7% year-on-year in February, indicating a moderate uptrend. Additionally, the market activity rating increased to 5.8 in the first quarter of 2024, signalling a recovery in home-buying activity. However, estate agents express reservations about sustained activity due to affordability and political uncertainty. Estate agents' sentiment improved in 1Q24, with increased satisfaction with market conditions, especially in regions like the Western Cape.

Finally, a report by VGBE Energy highlighted the urgent repair needs for Eskom's water treatment plants. The study, commissioned by the National Treasury, emphasises the necessity of upgrading the plants to prevent over 13,000 MW of capacity from going offline. This is an important issue that needs addressing to ensure operational efficiency and the uninterrupted supply of power.

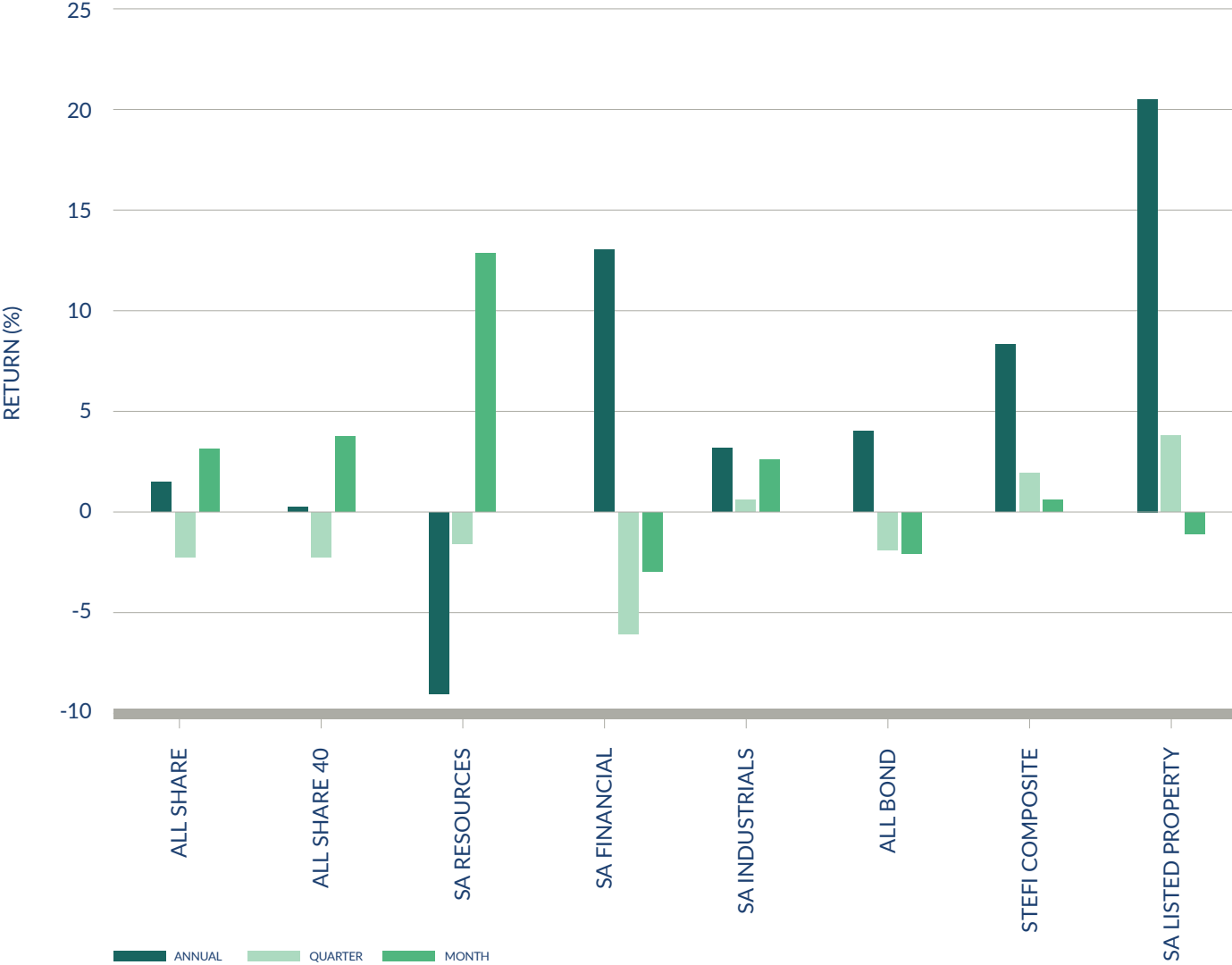
# World Market Indices Performance

QUARTERLY RETURN OF MAJOR INDICES



# South African Market Indices Performance

RETURNS OF THE FTSE/JSE SECTORS AND INDICES



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